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Meat processing workers in an Iowa plant place hams in stockings prior to smoking.

Australia Court Decision Backing Wheat Board Has Broad Implications For Grain Marketing

By Miles J. Lambert

A recent decision by the highest judicial body in Australia, reaffirming the complete marketing powers of the Australian Wheat Board (AWB) on the eve of a new stabilization plan, is likely to result in more safeguards for wheat producers and may have far-reaching effects on the country's entire grain sector.

The ruling came in a lawsuit challenging the Board's wheat marketing authority as a violation of the constitutional guarantee of free trade among Australian States.

The peculiar timeliness of the decision by the High Court is that it comes just as the 1974-79 Wheat Industry Stabilization Plan is ready to expire and as public discussion of future measures gets into full swing. A new stabilization plan—the seventh one—will be adopted by the end of September.

Australia is a major competitor of the United States on the world wheat market. Not a little of its strength has been derived from the AWB's ability to act as the single Australian agent for wheat sales abroad and to use that function as a basis for careful coordination of sales efforts and market development. Statutory control of the entire marketing system for wheat in Australia is a pivotal authority in this scheme of overseas sales.

Two of the AWB's weak points as an exporter stem from Australia's notoriously unstable wheat yields, which vary with fickle weather conditions, and from the Board's relative lack of flexibility in agreeing to terms on wheat sales. The Court decision is bringing forth a major rethinking of the concept of stabilization that might alleviate this latter hindrance.

In the final analysis, the major effect of the High Court decision may be on the grain sector generally rather than on wheat in particular. Stronger authority is likely to be sought by virtually all marketing boards for other grains. The situation in other grains has been more conducive to a smaller scale marketing framework, simply because of much lower volume of export sales.

However, this does not imply that growers of other grains have not been interested in the possibility of greater centralization of the marketing network.

In addition, feed-quality wheat will now be brought totally under the aegis of the AWB pricing mechanism. Because domestic feed-wheat prices are related to the home consumption price for wheat for human use, they will in most years be noncompetitive with coarse grains, which are priced on the basis of export realizations. Only in years of short crops will wheat become attractive to feed compounders. Consequently, it may be expected that a larger volume of general purpose and feed wheat will be available for export in future years than would have been the case in the past.

The overall effect on U.S. farm exports will be some increase in competition from Australia for feed-wheat markets that would be only partly offset by reduced export availability of barley and sorghum. Increased demand by feed compounders for feedgrains will almost certainly be reflected in increased production in those areas that previously supplied the "gray" market in wheat. In the northern part of New South Wales this may even lead to increased demand and greater production of triticale—a cross between wheat and rye.

The AWB, founded in 1939, was subject to direct Government control of food supplies during World War II. With initiation of the first wheat stabilization plan in 1948, the AWB began to exercise exclusive authority in the purchase and marketing of all Australian wheat, both for domestic use and for export. The major purpose in founding the AWB was protection of wheat farmers by lowering financial risks on each crop.

Six "stabilization plans" have operated to this end, with some of the ideas behind the mechanisms changing from one plan to the next.

Originally, the concept behind stabilization was to provide growers with a "guaranteed price" for a specific quantity of exported wheat. This price was based on production costs. In the fifth stabilization plan, costs of production were of importance only in the calculations of the guaranteed price for the first year (1968), with those of succeeding years being determined by movements in world prices.

In the sixth plan, initiated in 1974, it was decided to incorporate a minimum price concept, known as the "stabilization price," which would bring the price into line with world price trends while smoothing out large annual price fluctuations. Changes in production costs were not a factor in this calculation at all. However, the "home consumption price," which governs domestic sales, was structured to compensate farmers for inflation in production costs and to soften any adverse impact of the export stabilization price in that regard. Delivery quotas were abolished.

The AWB borrows money from the Reserve Bank of Australia to make the "initial" payment—by far the largest of all payments—to farmers, and must pay this back to the Reserve Bank before further payments may be made to farmers.

The loan is basically for 1 year and has to be repaid by March 31. Because a large number of payments already are made in December and January, part of the loan runs for at least 14 months. If earnings from export sales in a particular year are insufficient to repay the loan, the AWB is

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authorized to secure funds from the commercial money market or seek a temporary loan from the Federal Government.

Nevertheless, the AWB has been hardpressed to make terms of payment with a foreign buyer that stretch beyond 1 year, since it is to the advantage of growers to have the AWB pay back the Reserve Bank as soon as possible.

A stabilization fund operates and is filled from grower contributions earned from sales in lucrative years. The fund may not be used to return the Reserve Bank's loan for the initial payment. If earnings from a particular year's crop cannot be funded at the level of the stabilization price from sales, then the price must be realized by withdrawals from the AWB stabilization fund.

In the current plan, there are also provisions for Government responsibility—up to the amount of $A80 million during the life of the plan—should the stabilization fund fail to provide a sufficient financial cushion. Over the long run, however, the fund has been in surplus and has served to minimize risk at low cost to producers.

By and large, the system of stabilization prices has kept Australian wheat producers content and has served to lend the AWB strength. The AWB's most staunch supporters have always been farmers who grow wheat in regions where production of high quality wheats is normal. For these farmers, the AWB has been a reliable buying agency that underpinned prices and has been efficient in finding the export outlets necessary to ensure adequate and reasonably swift returns. The High Court, in justifying the AWB's unusually extensive marketing powers, essentially concluded that state boards would be less effective than the AWB in acquiring the wheat and in arranging sales overseas.

The High Court case involved four stockfeed companies that challenged the AWB's right to demand that they turn over to the AWB wheat they had purchased from farmers in New South Wales. The companies challenged the Board's authority over wheat marketing, arguing that it is a violation of the Australian constitution's guarantee of free trade between states. The Board is the only one of Australia's numerous commodity marketing boards possessing such power.

The legal issue aside, numerous wheat farmers have found aspects of the AWB's marketing authority difficult to cope with and perceive a practical need for the type of outlet provided by small stockfeed operations. The payment system under the stabilization plan is such that three or four staggered payments are received for each year's crop, and may require 2-3 years to pass before complete payment on a crop has been made. Several crops may be in this process at any one time.

Depending on the chronological distribution of payments and the financial circumstances of the farmers, there can be periods when many farmers feel a financial squeeze for operating costs, living expenses, or financing of existing debts.

Compounding this deficiency, farmers who market low quality wheat have complained that the AWB pays little attention to their special concerns. The problem of poor quality can befall any Australian wheat producer at one time or another. But it can be an ongoing concern to producers in some regions, posing extra problems to farmers in relatively remote areas where freight costs would be higher than average.

Many of these growers feel the AWB has a rather cavalier attitude toward their problems and as an export-oriented establishment not attentive enough to the interests of all Australian growers.

The problems of farm finance and low quality wheat have encouraged sales outside the AWB. Most estimates place the volume of such sales at about 5 to 10 percent of

Australian Wheat Outturn Seen Rebounding to a Record

Australia's 1978/79 wheat crop is estimated at a record-breaking 17.6 million metric tons, up from the previous estimate of 16.5 million and last year's 9.3-million-ton outturn. The new estimate is considered as somewhat conservative because of bumper harvests throughout Australia, even in marginal areas not ordinarily sown to wheat, and ideal weather generally during the crop season.

While Australia's annual port capacity is estimated now at roughly 10 million tons, exports during December to mid-January were a half-million tons below comparable shipments a year earlier. Total exports in 1978/79 (December-November) are not likely to exceed 10 million tons, assuming negligible delays because of industrial disputes. On this basis, carryover stocks by November 30 could be about 5.5–6 million tons, compared with 816,000 a year earlier.

Long-term agreements will acount for 5.65 million tons of Australia's 1978/79 exports: 3.25 million tons to China, including 250,000 deferred from 1978 contracts and the most recent sale of 500,000 tons; 1.4 million to Egypt; and 1 million to Japan. Other sales so far include 500,000 tons to Pakistan; 500,000 to Indonesia; 100,000 to Sri Lanka; 75,000 to Zambia; and 350,000 to Iraq.

Traditional markets in the Middle East and Southeast Asia might be expected to take an additional 2-3 million tons and food-aid shipments could amount to 300,000 tons. Thus, sales made to date and reservations for traditional markets are beginning to approach a level that could tax Australia's maximum export capacity.

(In late January, the Australian Wheat Board (AWB) announced it has negotiated a 3-year agreement to supply 7.5 million tons of wheat to the People's Republic of China during 1979-81. Australia's wheat exports to China in 1978/79 would include the initial 2.5 million tons of that agreement.)

AWB representatives reportedly reached a verbal understanding with Japan to supply 1 million tons of wheat during 1979. Any shipments of all-purpose or feed wheat will be additional to the agreement. □

the crop in some years, or, roughly between 500,000 and 1 million metric tons. Much of the illegal wheat trade takes place in areas removed from principal marketing centers and in the vicinity of State borders—especially the New South Wales-Victoria and New South Wales-Queensland borders.

It is this trade which the AWB has wanted to end and which Australian millers and many growers wanted to legalize.

Farmers with low quality wheat see these so-called "over-the-border" sales as bringing reasonable prices; although these are below AWB prices, farmers can avoid freight and storage costs arising in sales to the AWB and the possibility of severe price deductions by the AWB because of poor milling quality. In addition, it puts the money in hand and can be useful to farmers having difficulties in meeting current living costs and farm operating expenses. For farmers with debts, the price realized by "over-the-border" sales of wheat can include savings on bank interest charges as well.

Grower reaction to the decision of the High Court has been mixed. Some growers are absolutely opposed to the Board's all-encompassing authority and they are unlikely to be reconciled to any marketing concessions made by the AWB in the stabilization plan. These growers would like, in order of increasing desirability, the following measures:

- A two-tiered market operated by the AWB with the second tier devoted solely to feed quality wheat;
- Licensing of non-AWB organizations to handle, along price guidelines set by the AWB, any variety of wheat intended for domestic use; and, lastly;
- Removal of feed quality wheat from AWB control to prevent the AWB from dictating prices on such wheat.

Most other farmers, who sided against the AWB in the recent legal fight, will be appeased as long as the Board makes provisions in the new marketing setup to alleviate their payment and quality-grading woes under the current system. One immediate measure of assistance is to push back farmers' deductions for freight costs to the second payment, but more extensive changes in the stabilization system are also in prospect.

Indeed, while the AWB has won a victory at a crucial moment, that victory seems to necessitate adoption of a new outlook by the Board. In April 1978, the Industries Assistance Commission (IAC) made proposals for the new stabilization plan that would have undermined the AWB's domestic authority severely. The IAC suggested the introduction of private traders into the sales of wheat for domestic consumption and the tearing down of the stabilization price system and the stabilization fund upon which it rested.

To replace that system the IAC proposed a "pot-holing" scheme through which the Government would step in to finance prices in years when the export price hit a low point as defined by a formula based on export prices of recent years.

AWB supporters contended that the proposal for private trading would lead back to the chaotic pre-AWB days and to gradual demands for permission to operate on the export market as well. As for the "pot-holing" scheme, virtually all farmers see the formula suggested as providing too low a level of Government support. The fate of the suggestion for non-AWB participation in wheat marketing has been effectively decided by the High Court decision, while the operation of a stabilization plan is now under serious review by the AWB.

Without the threat posed by the IAC's recommendations, the High Court's decision may have caused some minor adjustments in wheat marketing procedures, but it is doubtful if the Board would have felt compelled to make much effort in accommodating itself to the interest of the broadest range of wheat growers.

A change in spirit in the AWB could strike at the heart of farmers' grumblings and might eventually lead to new considerations in the Board's view of proposals for reserve stockpiles under an International Wheat Agreement (IWA). The Board's dependence on the Reserve Bank affects the terms of payment of overseas buyers and the initial payments to farmers because both of these mechanisms revolve around the AWB's financial obligations to the Reserve Bank. Without breaking that connection, neither swifter payments to farmers nor a change in the AWB's stand on international reserves will be possible. The system has worked counter to interest in holding reserves since farmers' payments were tied to overseas sales.

Until now, the Board has not wanted to undertake any major restructuring of stabilization or use the broader borrowing powers it received in the sixth plan to effect any changes. In the sixth stabilization plan now drawing to a close, the AWB received authorization to borrow outside the Reserve Bank, but this has been implemented only as an extreme measure—namely, on two occasions as a way of financing discounted close-out payments to farmers who preferred to finalize their earnings on a particular stabilization pool at a discounted price rather than to wait for final full payment when the stabilization pool closed out under normal procedure.

A new attitude toward its borrowing powers is in prospect for the AWB. And its capabilities to participate in an International Wheat Agreement—which rests on a concept of reserves and trigger prices—may be vastly enhanced.

Ironically, it is the High Court victory of the AWB that is forcing the Board in this direction because it has no choice now but to become the instrumentality of all wheat farmers. This could entail a major restructuring involving larger initial payments, fewer and closer payments on a given year's crop, and a greater total outlay for AWB wheat purchases.

Under present stabilization operations, the prospect of greater outlays on initial payments for wheat would make the AWB even more inflexible over the length of contracts in its export sales. That could be another reason for revamping AWB financial procedures. Other Australian, and even foreign, sources of finance would have to be sought to supplement the Reserve Bank's loans.

The Reserve Bank is too directly involved in the Government's fight to keep inflation rates down, and encourage foreign investors, to assume new levels of financial commitments to the AWB. All the while, too,

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World Beef Output Seen Lower; Pork and Poultry Up in 1979

Another record year of meat[1] production is forecast in the key commercial markets of the world (the United States, Canada, European Community, and Japan) in 1979. Significant gains in poultry and pork output (11.482 million tons and 17.505 million tons, respectively) are expected to outweigh a 4 percent decline in beef production. The reduction in beef output in some of these markets is expected to result in higher imports.

In the major beef and veal exporting countries, production is forecast to fall about 8 percent to 6.864 million tons from the 1978 record. More attractive prices and greater access to traditional beef importing countries will likely cause a decline in domestic consumption in exporting countries and a diversion of shipments from less attractively priced markets, such as the Middle East and Eastern Europe.

Major importers include the United States, the European Community, Canada, Japan, Korea, the USSR, and Brazil.

United States. At 10.565 millions tons, U.S. beef and veal production in 1979 is expected to be lower and prices higher than in 1978.

[1] *Unless otherwise indicated red meat trade is in terms of carcass weight (bone-in) equivalents; poultry trade is on a product weight basis.*

Prepared by the Dairy, Livestock, and Poultry Division, Commodity Programs, FAS.

Sharp reductions in manufacturing beef supplies are expected as cow and other grassfed cattle slaughter declines. Supplies of fed beef will probably be near or above 1978's level as cattle feeding continues at a high level.

Larger pork and poultry supplies (6.7 million tons and 6.25 million tons, respectively) will likely temper the anticipated increase in cattle and beef prices.

Lower domestic supplies of manufacturing-quality beef probably will make U.S. import demand for this type of beef very strong in 1979.

The United States has set the 1979 voluntary restraint level for meat imports subject to the Meat Import Law (primarily manufacturing-quality beef) at approximately 712,000 tons, product weight, slightly above the 1978 level. Imports under the law usually account for about 85 percent of total beef imports.

Japanese Demand for U.S. Beef To Be Strong

On the export side, Japan should provide strong demand for U.S. beef exports in 1979. Japan is the primary market for U.S. beef exports and its beef production is expected to be lower. Furthermore, Japanese import quotas have been raised for high-quality beef, supplied mostly by the United States.

U.S. pork exports, which declined in 1978, are expected to remain at that lower level in 1979. No change is seen in exports to Canada, while shipments to Japan are expected to fall slightly because of depressed prices and increased production in that country.

European Community. EC pork production is forecast to peak and to be 8.835 million tons for the year sometime in 1979, about 3 percent greater than in 1978. The steady increase in pork production throughout 1978 was encouraged by lower feed costs from greater use of cheap, imported cereal substitutes, such as manioc.

The rate of increase should slow in 1979 because the use of nongrain cereal substitutes in pork rations is approaching its maximum limit. However, large domestic supplies of pork, increased imports from Eastern Europe, and sluggish export movements are expected to put continued downward pressure on hog prices.

EC production (6.541 million tons), consumption and trade in beef and veal are expected to be similar to those of 1978. Stagnant production, coupled with several changes in the EC beef intervention program, has enabled the EC to considerably lower its level of beef intervention stocks. Barring any policy changes this trend should continue in 1979.

EC poultry production is expected to increase about 2 percent in 1979 to 3.634 million tons, slightly less than growth in 1978. France, Italy, and West Germany are the only EC countries projected to show gains. Their exports to third countries in recent years have been around 225,000 tons, much of this with the help of substantial export subsidies. Little change is expected in 1979.

Canada. Any significant rebuilding of the cattle breeding herd will not occur before the latter part of 1979. In line with this phase of the cattle cycle, beef and veal production should be down in 1979 for the third consecutive year to 975,000 tons.

Beef exports, which dropped considerably in 1978, are expected to fall slightly to 35,000 tons. Canada's imports of beef were limited by quota in 1978 to 66,642 tons, product weight, but actual imports were below the quota level. The quota level for 1979 has been set at 70,308 tons.

Shift in Canada's Pork Trade

Total Canadian pork output in 1979 is forecast at 640,000 tons. Eastern Canada's pork production expanded greatly in 1978 and is expected to continue to rise, but at a slower rate, in 1979. Production in western Canada, the traditional source of expansion in pork output, is expected to move up only slightly. The shift in Canada's pork trade in 1978—fewer imports from and more exports to the United States, along with lower exports to Japan—will likely continue in 1979.

Canadian chicken imports from the United States—the main supplier—remained near 1977 levels in 1978, despite increased Canadian production, high U.S. prices, and an unfavorable exchange rate.

The threat of future chicken import quotas under the proposed National Chicken Marketing Agency, which was approved in late December, perhaps encouraged importers to maintain import volumes in 1978.

Under similar programs for turkeys and eggs, import licenses are issued to individual importers based on their import levels in past

years. The Chicken Marketing Board, with its supply-management program, is slated for implementation in 1979 and may have a limiting influence on both production and trade.

Japan. Spurred by lower domestic beef production (400,000 tons) and continued pressure from beef-exporting countries, Japanese beef imports in 1979 are expected to jump one-fifth above those of 1978 to 170,000 tons, the highest level of imports since the 1973 record.

Much of the anticipated increase in 1979 import quotas should be for high-quality beef, of which the United States is the primary supplier.

Japan's Beef Imports From Australia To Be Lower

The Australian share of Japanese beef imports in 1979 is expected to be 72-74 percent, down from 78 percent in 1978. The United States supplied about 13 percent of the Japanese market in 1978 and is expected to pick up most of the drop in the Australian share in 1979.

Japanese pork imports, on the other hand, are expected to decline in 1979, because of an expected 5 percent increase in pork production to 1.33 million tons.

Despite higher poultry meat production (1.095 million tons), poultry imports are expected to gain in 1979, because of strong consumer demand for poultry, apparently fueled by relatively stable retail prices and higher per capita incomes.

Republic of Korea. In 1978, the Republic of Korea emerged as a major meat importer, as rapidly rising incomes sparked increased consumer demand for meat.

In 1979, beef imports are expected to continue relatively high despite anticipated increases in imported beef prices. Demand for beef should far exceed the expected rise in domestic beef output. Most of the imported beef will be supplied by Australia and New Zealand because of their relatively low beef prices.

Pork imports, which totaled 11,000 tons, product weight, in 1978 are expected to be negligible in 1979 as an expected 20 percent increase in domestic pork production should meet rising consumer demand for pork.

USSR and Eastern Europe. With more-than-sufficient supplies of feed and forage crops throughout 1978, the Soviet Union and Eastern Europe are expected to make substantial gains in 1979 livestock inventories. However, cattle, hog, and poultry numbers in these countries are just now surpassing record 1975 levels. With an expected increase in 1979 numbers, meat output in Eastern Europe will rise above 1978 levels. USSR production in 1979 is also forecast to gain, but will be well below the 15.6 million-ton goal for 1978.

For the first time since 1977, the Soviets are back in the market for beef and mutton from Western suppliers. Renewed Soviet interest in purchasing meat may indicate that production is falling short of goals. Adequate grain supplies also may permit expenditure of foreign exchange for meat instead of grain imports.

The Soviets have purchased 10,000 tons, product weight, of beef from Australia for early 1979 delivery and have options to purchase additional quantities. Trade reports indicate the Soviets may purchase as much as 50,000 tons, product weight, from Western suppliers in 1979.

Brazil. Surprisingly, Brazil was a significant beef importer in 1978. Imports, at 100,000 tons, were probably triple 1977's level.

No increase in Brazilian cattle slaughterings is expected for at least the next 2 years as cattlemen continue to rebuild their herds. As a result, beef imports are likely to remain about the same as in 1978, with Argentina and Uruguay the major suppliers.

Pork production is increasing as hog prices rise because of consumer demand and tight beef supplies.

Major exporters include Australia, New Zealand, Central America, Mexico, Argentina, and Uruguay.

Australia. In contrast with recent years, Australian beef supplies could be very tight in 1979.

Australian cattle producers are expected to begin rebuilding herds, which will cause a considerable decline in cattle slaughter and production. The magnitude of the decline in beef production will depend on when and how rapidly the turnaround in the cycle occurs.

Moderate Expansion in Australia's Beef Herds

Only moderate expansion in breeding herds is currently anticipated during 1979, as producers will probably be somewhat cautious about rebuilding their herds because of large losses in the last few years. Beef and veal production, at 1.712 million tons, will likely be 14-16 percent below the 1978 level.

Anticipated lower beef production will reduce both domestic consumption and export availability. Domestic consumption is expected to fall somewhat more than exports, as higher export prices attract a larger share of production into export channels.

With an expected 12-14 percent decline in Australia's beef exports, competition among importing countries for available Australian supplies will be stiff in 1979. A higher proportion probably will be exported to more traditional markets (such as the United States, Japan, and Canada).

New Zealand. New Zealand's beef supplies also will be much reduced in 1979. With a lower beginning-year cattle inventory, beef production is forecast to decline 14-16 percent below the 1978 level to 464,000 tons. However, relatively high stock levels will offset part of the effect on beef exports.

The United States, Canada, and Japan probably will purchase 80-85 percent of New Zealand's beef exports in 1979, compared with about 75 percent in 1978. Because of higher U.S. and Canadian beef prices, New Zealand is expected to fill the quantities allocated to it under the import programs of the United States and Canada.

Thus, beef supplies available for other lower priced markets, such as the USSR, East European countries, and Far Eastern countries (excluding Japan) will be well below 1978 export levels.

Central America. The major development during 1978 in Central America's [2] livestock industries was an overall expansion, which is expected to continue in 1979, but at a slower pace.

Beef and veal production

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[2] *Includes the Dominican Republic, Haiti, Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panamá.*

Arkansas Conference Explores Ways To Boost U.S. Exports

By Ron Deaton

A recent export trade conference in Little Rock, Arkansas, examined ways of achieving broader participation in U.S. agricultural and industrial trade.

Reflecting a growing grassroots interest in trade, the January 10 conference was the first of several being held this year throughout the country. Others so far have been scheduled for Texas, California, Missouri, Georgia, Iowa, and Florida.

The Little Rock conference was attended by more than 200 agricultural, business, and Government leaders—including the Governor of Arkansas. It focused on the importance of trade to the U.S. economy and on how small firms can get into the export business, which has been booming for shippers of farm products.

These agricultural exports hit a record $27.3 billion in fiscal 1978, for a 14 percent gain from the previous year's and a hefty agricultural trade surplus of $13.4 billion. Further growth in such exports—and in the agricultural trade surplus—is a major goal of the U.S. Government and was stressed in the export initiatives announced by President Carter on September 26, 1978.

In that statement, the President announced the Administration's intent to reduce this country's huge trade deficits of recent years—$30 billion in fiscal 1978—by promoting expanded exports of U.S. manufactured goods and farm products. He also called for greater coordination among Government agencies concerned with improving export potential and performance.

The conference was sponsored by Congressman Bill Alexander (D-Ark), who is Chairman of the House Export Task Force. This is a U.S. House of Representatives group, established in 1978 and composed of chairmen or ranking members of committees with international trade responsibilities.

Participating in the conference were officials from the Department of Agriculture's Foreign Agricultural Service (FAS) and Office of the General Sales Manager (OGSM), the Commerce Department's Industry and Trade Administration, and State and private groups.

Keynote speakers were Thomas R. Hughes, Administrator of FAS, and Frank Weil, Assistant Secretary of Commerce for Industry and Trade Administration.

Weil emphasized the disastrous effects that isolationist and protectionist pressures had on trade policies during the 1930's and stressed the need to resist similar pressures now. The alternative to protectionism, he said, is an open, forward-looking world trading system, which can be achieved with successful conclusion of the Multilateral Trade Negotiations now winding up in Geneva.

Weil expressed the need for a more effective Government-industry partnership that would help sharpen competitive instincts, expand investments in research and development, resume growth in U.S. productivity, and respond to growing world interdependence.

Hughes stressed that agricultural exports represent a key element in the nation's goal of expanding foreign trade and reducing the trade deficit.

The outlook for further expansion of agricultural exports is good, Hughes said, owing to rising populations and incomes abroad. But he cautioned that competition for foreign markets is intense, necessitating strong support from the U.S. agricultural community if the U.S. farmer is to get a continuing and increasing share of those markets. He went on to explain the various export-expansion programs of FAS and OGSM and how U.S. producers can participate in these programs.

Prospects for trade with China were discussed by Alexander and Hughes,

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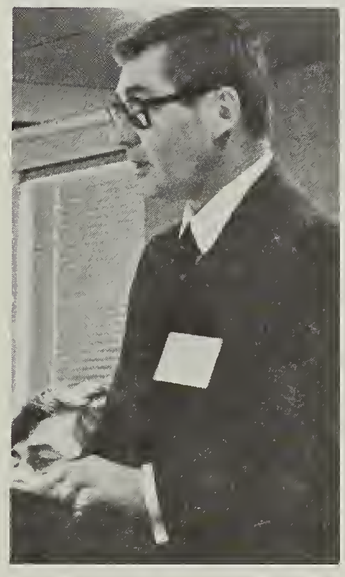

Above, some of the more than 200 people who attended the conference. Left, Thomas R. Hughes, Administrator of the Foreign Agricultural Service, reviews prospects for expansion of U.S. farm exports.

The author is Legislative Assistant to the Administrator, FAS.

Zaire Ups Food Imports To Offset Declining Domestic Production

By Herbert H. Steiner

Zaire's agricultural production and exports, on a downtrend during recent years, are likely to be at relatively low levels again this year because of the combined effects of a 2-year drought and slow progress in the country's agricultural economy.

Largely because of the devastating effects of drought in 1977/78, Zaire's food imports in 1978 are substantially higher than 1977's $136 million, and imports in 1979 are expected to be still higher.

In 1977, Zaire's food imports consisted mainly of 120,000 tons of wheat, 1,200 tons of wheat flour, 120,000 tons of corn, 60,000 tons of rice, 20,000 tons of meat, 20,000 tons of sugar, and 42,000 tons of fish. In 1978, most imports of agricultural products were below 1977 levels because of the lack of foreign exchange. Marked gains in imports of corn, rice, meat, and sugar are expected this year.

A basic problem is that Zaire lacks the necessary foreign exchange to pay for all the imported food the country needs. Part of the gap between domestic food supply and demand will be filled with 50,000 tons of U.S. wheat and 13,000 tons of U.S. rice under a P.L. 480, Title I, agreement signed in August 1978.

This agreement also covers 10,000 bales of U.S. cotton and 1,000 tons of U.S. tobacco to keep Zairian textile mills and cigarette factories operating. Faced with shortages of domestic production and a lack of foreign exchange to pay for commercial imports, some mills and factories had been preparing to suspend operations.

In 1977 (the latest year for which data are available), Zaire's farm exports were valued at $336 million, of which coffee accounted for $235 million. Other important agricultural exports in 1977 were rubber, $25 million; palm oil, $11 million; palm cake, $1.8 million, cocoa, $13 million, cinchona bark, $11 million; tea, $8.1 million; and rauwolfia, $4.9 million.

Total farm exports for 1978 are estimated at only $270 million, mainly because of lower coffee prices and smaller coffee shipments.

However, the country's agricultural production and exports were faltering even before the drought that hit southwestern Zaire in 1977 and 1978. Between 1970 and 1977, farm output rose only 3 percent, and per capita agricultural production dropped 16 percent.

Some reasons for the lack of progress in Zairian agriculture:

- Deterioration of the country's roads. When movement of farm products by road becomes too difficult, farmers tend to produce only for local needs and abandon efforts to serve distant markets.
- Inadequate fuel and spare parts to keep trucks in operation.
- Lack of traders to buy commodities from farmers. Many expatriate traders who performed marketing functions left the country during the Zairianization program.
- Few goods and services for farmers to purchase, which discourages commercial production.
- Government price controls, which have discouraged production.
- Lack of fertilizer and pesticides.

Zaire's total exports in 1977 were valued at $1.14 billion—not enough to service outstanding debt and pay the foreign-exchange costs of development projects conceived when copper prices were much higher.

Copper exports normally account for about half of Zaire's foreign exchange. In 1977, total exports of copper, cobalt, zinc, and diamonds were valued at $627 million.

Among Zaire's food crops, cassava—known locally as manioc—normally supplies 54 percent of the calories and 20 percent of the protein in the average diet. Cassava is relatively easy to grow from cuttings and performs well on newly cleared land. It can be harvested at 8 months or left in the ground until it is 24 months old (equivalent to in-ground storage).

Zairian cassava production has averaged about 7 tons per hectare, without fertilizer. While the tuber has only a small amount of protein, the boiled leaves—customarily consumed in sauces—have 20-30 percent protein.

Cassava production reached almost 13 million tons in 1976/77, but drought and mealy bug infestations cut production to 11 million tons in 1977/78. The smaller quantities reaching the market caused prices to soar and pushed cassava out of the reach of the poorest urban people, who normally depend on cassava as an essential staple.

Cassava consumption in Kinshasa in recent years has been losing ground to bread. With wheat imports limited by the foreign exchange shortage and cassava production at a relatively low level, caloric consumption by Zaire's urban population may decline substantially this year.

Corn is the most important grain crop grown in Zaire. Most corn production is in small patches in the savanna and highland regions. In many places, two crops per year are possible.

The Shaba mining region, where corn is the staple, has become dependent on corn imports from Zambia and Rhodesia.

Zaire's Government is making an effort to increase corn production by teaching better cultivation methods and distributing improved seed varieties. The U.S. Agency for International Development has a project to increase corn production by small farmers. The important mining and transportation companies have been asked to establish corn farms, and two large corn farms are being established by Government and private companies.

All of these efforts should push Zaire's corn production from its present level of about 425,000 tons annually to a much higher level. However, the short-

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Clockwise from top left: A rural Zairian grinds corn for the day's meals. Zairian farm workers load a truck that will take them and their agricultural products to market. Zairian corn specialists examine some of the plants contributing to Zaire's increases in corn yields.

age of fertilizer, pesticides, fuel, and spare parts—plus the poor condition or nonexistence of roads and bridges—make it unlikely that corn production will increase substantially in the near future.

Rice is in great demand in Kinshasa, but the 150,000-200,000 tons produced domestically on small plots along the northern banks of the Congo (Zaire) River do not match imported rice in quality. A Chinese mission is working to develop better indigenous varieties of rice and expand yields.

Palm oil is both a domestic food and an export crop. Zaire was the world's second largest producer and exporter of palm oil in the 1950's. Production reached 245,000 tons in 1959, of which 184,000 tons were exported. Since then, production has declined while domestic consumption has increased. In 1977, palm oil production was only 150,000 tons and exports were a record low 21,495 tons.

About 85 percent of Zaire's fats and oils consumption consists of palm oil. In recent years, total household use has averaged about 50,000 tons annually.

Annual per capita consumption of palm oil—about 3.9 kilograms—is expected to increase substantially as production and incomes rise. Industrial utilization of 50,000 tons includes usages in margarine and soap, and as a flotation agent in copper refining.

One of the principal causes for the decline in the country's palm oil production was the so-called Zairianization of the palm plantations in 1973, in which properties were seized by the Government and handed over to Zairians—most of whom had little or no management experience or technical knowledge.

As a result, palm oil production levels at the plantations declined. In an attempt to correct the problem, the Government took over operation of the plantations in 1975, but management by political appointees proved no more successful than that of their predecessors. In September 1976, most of the plantations were returned to their original owners.

Over the years, the Government's policy of fixing palm-oil prices far below the world market to benefit the domestic consumer also has had a depressing effect on production. However, the present factory price of $526 per ton is some incentive to production as is a regulation permitting exporters to retain for their own use 10 percent of the foreign exchange earned from their palm oil exports.

A $47.4-million project begun in 1978 is expected to add 33,000 tons of palm oil and 10,000 tons of palm kernels to Zaire's annual production by 1990. Some 9,585 hectares of oil palms will be replanted, and 2,630 hectares of new plantings are expected to be added during 1978-82.

Domestic edible oil consumption is rising fast enough to take all this additional oil by 1990, when the new plantings will be in production. □

Regional Agribusiness Export Trade Seminars Planned

A series of Government-sponsored regional export seminars will start in Dallas, Texas, on April 11. Other seminars are tentatively set for April 19 in San Francisco, Calif.; May 1 in Kansas City, Mo.; and May 2 in Des Moines, Iowa. Seminars are also planned for Miami, Fla., and Atlanta, Ga., but the dates have not been finalized.

The purpose of the seminars is to acquaint U.S. companies, farmers, and cooperatives with various Federal programs to encourage agricultural exports and overseas investment. The Foreign Agricultural Service (FAS) and Office of the General Sales Manager (OGSM) of the U.S. Department of Agriculture are joining with the Export-Import Bank and the Overseas Private Investment Corporation (OPIC) in sponsoring the seminars. State Departments of Agriculture and other agencies will also participate.

Presentation will include panel discussions by experts in export credit and agricultural market development, as weli as case studies of private exporter experience in selling overseas.

The Dallas seminar, for example, will open with a speech by Tom Hughes, FAS Administrator, on "Developing an Effective Export Marketing Program." This will be followed by: An Export-Import Bank presentation on "Financing the Overseas Buyer and Credit Insurance," a review of OGSM commercial credit and concessional sales programs, a summary of OPIC's agribusiness initiatives, and a review of agribusiness services offered by international commercial banks. The seminar will end with presentations on doing business with China and the Middle East.

Cost to participants—covering the cost of lunch—will be nominal. Precise location of the seminars has not been announced. For further information contact the Planning and Evaluation Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250 (Tel: 202 447-5521), or the marketing divisions of State Departments of Agriculture.

Information on the seminars also may be obtained from these State marketing directors:

Atlanta, Ga.	Jim Bridges (404) 656-3680
Dallas, Tex.	Ben Baisdon (512) 475-3537
Des Moines, Iowa	Gail K. Danilson (515) 281-5993
Kansas City, Mo.	Larry Grimes (314) 751-3935
Miami, Fla.	John Stiles (904) 488-4031
San Francisco, Calif.	R. E. Rominger (916) 445-7126

Continued from page 7

Arkansas Conference

both of whom made recent official visits to China.

The rest of the conference was organized to transmit practical information on selling abroad. This included presentations by both industrial and agricultural exporters and "how to" workshops conducted by the Departments of Commerce and Agriculture.

Topics included developing a sucessful export program, export financing, activities of freight forwarders, Government credit, and market development programs. Audience participation was extensive.

Case histories of agribusiness and manufacturing-industry executives drew particular attention as the executives shared their personal reflections on developing export markets.

Industry executives emphasized that the key to developing export markets is to treat overseas customers with the same consideration accorded domestic buyers.

Each industry speaker referred to the need for patience on the part of U.S. exporters in developing foreign markets. Initially, some of the added steps in selling overseas appear complicated, but these can be easily overcome.

These trade success stories made pointed reference to the assistance provided by USDA agricultural attachés, market development cooperators, and other USDA and Commerce export support services.

The experience in Little Rock demonstrated that such conferences can be effective means of increasing export awareness and involvement. Already, FAS and OGSM are preparing for a series of regional seminars on agricultural export investment, finance, and market development strategy. These are to be held in conjunction with the Export-Import Bank, the Overseas Private Investment Corporation, and State Departments of Agriculture during 1979. □

Australian Grain *Continued from page 4*

agriculture claims less and less of national priorities in Australia.

Curtailing the Board's dependence on the Reserve Bank would mean greater AWB bargaining strength in arrangement of exports. This, and the general revitalization of the AWB, certainly firms up the confidence of wheat growers. Yet, it may be insignificant in terms of the quantity of Australian exports of wheat.

Much of the "extra" wheat that the AWB will be purchasing will not be of export quality. Moreover, it will have to be handled and may reveal inadequacies in handling facilities, at least in the short run.

Likewise, shipping capacity may be strained in some particularly favorable years when export availability is unusually large because of marginal gains in wheat area resulting from increased grower interest in wheat. This development is now in prospect. The most important effect of the decision is likely to fall on the whole grain sector rather than just on wheat growers. □

High Yields Boost Egypt's Cotton Crop Prospects

Favorable growing conditions and effective pest control measures have been major forces responsible for near-record yields in Egypt's 1978/79 (August-July) cotton output. As a result, the cotton crop is currently estimated at 1.86 million bales (480 lb net), slightly more than the 1.831 million bales produced last season.

A long, warm growing season, free of extremely high temperatures, contributed to cotton yields that were 20 percent greater than those of last season and the highest in 15 years.

Because domestic cotton production is higher than anticipated, estimates of import needs have been reduced to about 160,000 bales. More than 90,000 bales of short-staple cotton have already been purchased from the United States under a new $35-million line of Commodity Credit Corporation (CCC) credit.

Egypt's cotton export target this year is 600,000 bales, slightly higher than that of last year. Export prices were announced October 15 and within a week contracts were made for 560,000 bales.

The remaining sales will be made as the season progresses and after more precise information regarding grades and quantities available for export become known.

Of the 560,000 bales contracted for in convertible currency, nearly 330,000 went to buyers from Europe, Japan, and South Korea, and 225,000 bales to East European countries.

Japan was the largest single buyer of Egyptian cotton (100,500 bales), followed by Romania (88,500 bales). Other large purchasers were West Germany, Switzerland, Czechoslovakia, Poland, and Italy, with contracts ranging from 30,000 to 75,000 bales.

Estimates of domestic cotton utilization remain unchanged at 1.38 million bales. In recent years, domestic production of cotton has declined while domestic consumption (including production of yarn and textiles for export) has risen steadily. In an effort to maintain export of Egyptian cotton, Government policy continues to be one of importing short-staple cotton, which costs an estimated 40 percent less than the quality of Egyptian cotton being exported. □

World Meat Output . . . *Continued from page 6*

at 430,000 tons, is forecast to increase in all countries, except Costa Rica and Honduras, where reduced slaughterings are occurring.

Domestic consumption is expected to rise by a greater percentage than exports. The United States will continue to be the traditional market for beef exports from Central America.

Mexico. Reduced cattle inventories following a severe drought in northern Mexico and a high level of feeder cattle exports from that area to the United States were the major developments in the Mexican livestock sector in 1978.

Further impact of the drought is expected to show up in lower 1979 cattle inventories, slaughter, and beef production (1.02 million tons).

The expected decline in beef production should cause a similar drop in consumption, although higher pork and poultry consumption should help offset the decline in beef.

Beef exports may be off somewhat; however, less than 3 percent of Mexico's production is exported. Beef exports to the United States are expected to remain at about the 1978 level, but exports to countries other than the United States, principally Japan, are expected to drop by about 15 percent.

Argentina. Increased cattle prices since August 1978 and improved pastures in Argentina are factors influencing producers' decisions to hold back cattle for further fattening.

As a consequence, the forecast for 1979, at 2.86 million tons, is 6 percent below the 1978 record output. Reduced supplies should lower 1979 exports by 7 percent.

Uruguay. On August 11, 1978, the Government of Uruguay drastically changed most of its agricultural policies. The most rapid and dramatic changes were implemented in the livestock sector and these are expected to have a favorable effect on the Uruguayan meat industry.

Since the liberalization of the cattle/meat market in early August, retail prices of meat have climbed approximately 45 percent. Prices of meat are now regulated only by supply and demand, compared with Government control prior to the policy change.

Cattle slaughter, production, consumption, and exports of beef are expected to increase around 1 percent for 1979. □

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Denmark Restaurant, Norway Stores Spotlight U.S. Foods

Restaurantgoers in Denmark and retail shoppers in Norway were given opportunities around Thanksgiving week to renew their acquaintances with the kind of U.S. processed foods that are winning friends around the world. Presented as part of the continuing FAS overseas food promotion program, the restaurant event in Copenhagen ran November 13-26, and the point-of-purchase campaign in Norway, November 13-December 2.

The restaurant chosen as the showcase for the U.S. foods was Copenhagen's Pinafore, one of the city's best known dining spots. Featured was a menu of American products only, including Florida grapefruit and California strawberries, Virginia turkey and Colorado steaks, and Alaska deviled crab and west coast salmon. U.S. yams, corn, baking potatoes and other U.S. products were also included.

The Norway event was held in 1,800 retail stores and was kicked off at a press conference attended not only by the working press, but also by retail store owners, food salesmen, and wholesalers. Among the products featured at the stores were U.S. almonds, peaches, fruit cocktail, raisins, currants, walnuts, dates, citrus juice, rice, and prunes.

U.S. exports of U.S. consumer-ready food products to Denmark rose in 1977 to $17.0 million, compared with the previous year's $15.1 million.

U.S. consumer-ready product shipments to Norway amounted to $16 million in 1977, $1 million more than the year before.

In 1977, Denmark purchased sizable amounts of nuts, dried fruits, meat and meat products, preserved fruits, and variety meats. Norway bought U.S. almonds, dried fruits, canned fruits and juices, and fresh and processed fruits.

FAS's ongoing promotional program offers U.S. food manufacturers, processors, and exporters a chance to display their products in a number of overseas markets at minimal cost. Persons or firms interested in participating should contact the Director, Export Trade Services Division, FAS, U.S. Department of Agriculture, Washington, D.C. 20250, or phone (202) 447-6343. □

International Meetings—March

Date	*Organization and location*
5-9	UN Economic Commission for Europe's Committee on Agricultural Problems, Geneva.
12-15	U.S. Agricultural Attaché Asian conference, Hong Kong.
12-16	UNCTAD Negotiating Conference on a Common Fund, Geneva.
12-16	FAO Preparatory Committee for World Conference on Agrarian Reform and Rural Development, Rome.
13-15	OECD Fruit & Vegetable Working Party, Paris.
Second half of March	U.S.-European Community consultations on wine trade, Washington, D.C.
15-21	FAO Intergovernment Group on Rice, Manila.
19-21	OECD Joint Meeting, Working Party on Trade and Agriculture, Paris.
20-Apr. 6	UN Conference on Olive Oil, Geneva.
22-23	UNCTAD Ad Hoc Committee for Integrated Program on Commodities, Geneva.
25-31	Second World Soybean Research Conference, Raleigh, N.C.
26-28	OECD Working Party on Livestock and Meat, Paris.
29	Board for International Food and Agricultural Development (BIFAD), Washington, D.C.

Trade Teams—March

U.S. Teams Overseas

Date	*Organization*	*Visiting*
Feb. 21-Mar. 14	U.S. seed team	Australia, New Zealand, Fiji Is.
Feb. 24-Mar. 7	U.S. feedgrains team	Japan
Feb. 24-Mar. 11	U.S. Maid of Cotton and escorts	Toronto and Montreal, Canada
16-23	FAS Cooperator representatives	China
20-Apr. 8	U.S. wheat team	Morocco, Algeria, Egypt, Singapore, Philippines, Japan
18-Apr. 6	U.S. sunflowerseed team	Italy, Czechoslovakia, West Germany, France, Portugal

Foreign Trade Team in the United States

Date	*Organization*	*Visiting*
3-23	Korean feedgrain team	California, Texas, Louisiana, Missouri, Kansas, Iowa, Illinois.